

MONTANA Economy at a Glance

NOVEMBER 2008

EMPLOYMENT BY INDUSTRY

(Does not include self-employed or agricultural employment)

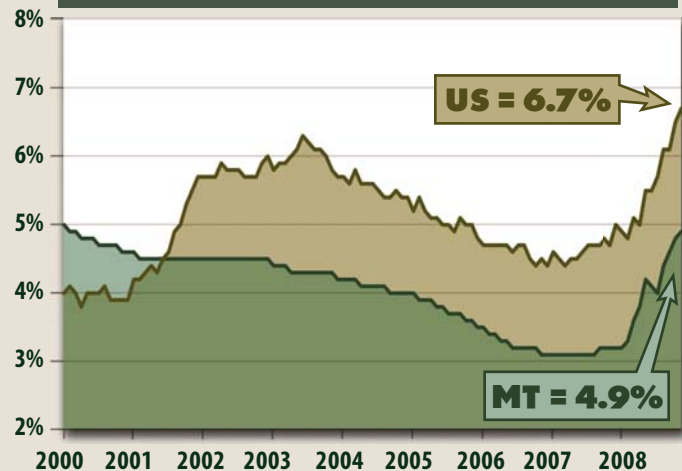
Industry Employment (in thousands)	Nov.(P) 2008	Oct. 2008	Net Change	Percent Change
Total Non-Agricultural	444.4	446.6	-2.2	-0.5%
Natural Resources & Mining	8.1	8.3	-0.2	-2.4%
Construction	30.3	30.3	0.0	0.0%
Manufacturing	20.3	20.4	-0.1	-0.5%
Trade, Transportation, & Utilities	92.4	93.1	-0.7	-0.8%
Information	7.6	7.8	-0.2	-2.6%
Financial Activities	21.5	21.6	-0.1	-0.5%
Professional & Business Services	39.9	40.4	-0.5	-1.2%
Education & Health Services	60.2	60.7	-0.5	-0.8%
Leisure & Hospitality	60.1	59.8	0.3	0.5%
Other Services	17.6	17.6	0.0	0.0%
Total Government	86.4	86.6	-0.2	-0.2%

(P) denotes preliminary figures

Montana's seasonally-adjusted non-agricultural payroll employment decreased by 2,200 jobs (-0.5%) from October to November 2008. The largest losses were seen in the Trade, Transportation, & Utilities sector, with 700 fewer jobs (-0.8%), while Professional & Business Services and Education & Health Services each lost 500 jobs over the month.

UNEMPLOYMENT RATE

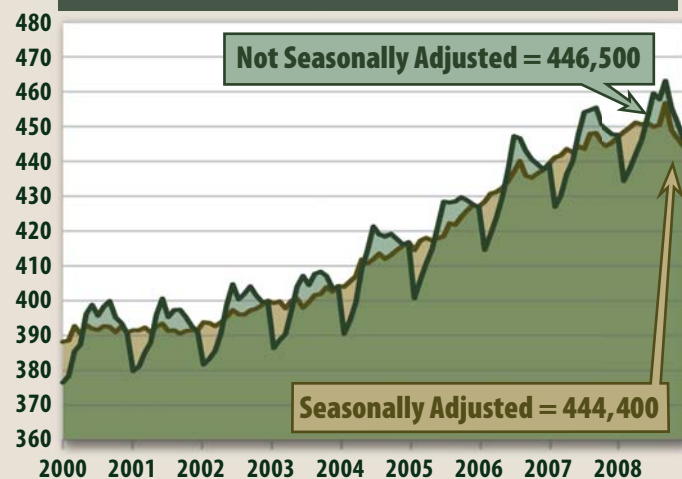
Seasonally Adjusted



Montana's seasonally-adjusted unemployment rate increased slightly to 4.9% in November 2008 from 4.8% in October. The U.S. rate also rose over the month, increasing from 6.5% to 6.7% for November.

NON-FARM EMPLOYMENT

In Thousands



Research and Analysis Bureau

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Mass Layoff Events and Dismissed Workers in Montana

By Aaron McNay

Every year, businesses across Montana face changing market conditions for the goods they produce and purchase. Sometimes, the conditions have benefited the business; other times, they required the business to reduce output and layoff workers. By combining data on mass layoff events and Unemployment Insurance (UI) data, it was possible to develop some information regarding the labor market outcomes of laid-off workers. This article examines past mass layoff events, and uses this information to evaluate the labor market outcomes of recently laid-off workers.

The two periods of mass layoff events examined in this study occurred from April 2003 to December 2005, and from January 2007 to September 2008. It is useful to make a distinction between the two types of layoffs that occurred during these periods: seasonal and non-seasonal. Seasonal layoffs occur on a seasonal, regular, and expected cycle, while non-seasonal layoffs occur for reasons such as economic downturns, business failures, or other unexpected events.

Seasonal layoffs naturally occur in businesses that are dependent upon, or directly affected by, changes in weather. Two industries that serve as examples are: 1) Construction, especially activities such as roofing, road construction, and concrete work; and 2) Accommodations and Food Services, which includes tourism-related businesses like hotels, motels, restaurants, and fast food businesses. Together, these two industries constituted 51% of all mass layoff events from 2003-2005, and 45% of events from 2007-2008 (Figure 1).

Non-seasonal layoffs occur without a regular pattern and can be caused by a variety of events. These events may be associated with economic changes within the



state or at the national level. These events may also be associated with the birth-death life cycle that many businesses go through, with customers first flocking to the business and then abandoning the business for a newer or different type of business. Some examples of the industries that are subject to non-seasonal events are mining, timber, manufacturing in general, and healthcare. Mines often have an expected life cycle, the timber industry is subject to price fluctuations and imports, and healthcare may be subject to decreases in funding or a declining population base. During the two reference periods, two industries, Manufacturing and Healthcare & Social Assistance, made up a large portion of the recorded layoff events. These two industries represented 26% of the events in the 2003-2005 period and 37% of the events in 2007-2008 (Figure 1).

This change in the non-seasonal layoffs indicates that the nature of layoffs happening in Montana may be changing. The increasing number of layoffs due to non-seasonal reasons is undoubtedly related to the increasing diversity of layoff events. Seasonal reasons were given for a majority of events during both of the

**Figure 1: Sectors Experiencing Mass Layoff Events in Montana**

	April 2003 - December 2005			January 2007 - September 2008		
	Establishments	Layoff Events	Initial Claims	Establishments	Layoff Events	Initial Claims
Total	34	57	5,860	25	38	3,636
Goods Producing*	16	27	3,269	12	18	2,086
Construction	8	16	2,146	6	9	1,331
Manufacturing	5	6	652	5	8	637
Service Providing**	16	28	2,384	13	20	1,550
Accommodation and Food Service	6	13	1,057	4	8	699
Health Care and Social Assistance	4	9	609	4	6	397
Public Sector	2	2	207	0	0	0

* The Goods sector is comprised of the Construction, Mining, and Manufacturing industries.

Source: Mass Layoff Statistics Program

** The Service sector is comprised of all private industries not included in the Goods producing sector.

examined periods (Figure 2). However, the proportion of seasonal layoff events declined significantly, falling from 86% in 2003–2005, to accounting for only 56% of the events in 2007–2008. This shift in layoff events was expected, due to businesses in Montana responding to the national economic slowdown by reducing employment. In fact, changes in business demands were responsible for nearly 40% of all layoff events that occurred for most of the past two years. This is a substantial increase from only a few years ago, when

business demand was only responsible for 5% of layoff events (Figure 2). This increase is significant, given that workers laid-off for non-seasonal reasons are more likely to see post-layoff incomes below their pre-layoff levels.

There were 5,860 initial UI claims made against companies during confirmed layoff events from April 2003 to December 2005. Approximately 86% of these individuals were employed in Montana within a year and remained employed for at least another year.¹ During

Figure 2: Primary Reasons Given For Layoffs

Primary Reason For Layoff	April 2003 - December 2005		January 2007 - September 2008	
	Establishments	Layoffs	Establishments	Layoffs
Total	34	57	26	36
Seasonal	26	49	14	20
Slack Work	2	2	5	5
Bankruptcy	2	2	0	0
Contract Completion	0	0	4	7
Financial Difficulty	1	1	0	0
Import Competition	1	1	1	2
Material Shortage	1	1	1	1
Other	1	1	1	1

Source: Mass Layoff Statistics Program



this time, the Construction and Accommodation and Food Service industries constituted over 50% of the laid-off workers (Figure 3). The remaining claims were distributed among the rest of the goods producing, service providing, and government sectors.

Workers that were laid-off tended to have lower wages than the rest of the state, with an average annual wage of \$24,543 (Figure 3). This wage was substantially below the statewide average of \$26,927 in 2003.² The income disparity continues when broken down by each industry. In fact, of the 11 industries that experienced layoff events, only two had pre-layoff incomes above the industry average. This income disparity is a likely indication that experience and seniority played a role in determining which workers were laid-off. In general, less experienced workers tend to be laid-off because businesses use seniority as a basis for choosing which employees to retain. Workers with less time at the business, and consequently lower salaries, are often eliminated first. The fact that this was observed in the majority of the industries appears to reinforce this conclusion.

Many of the workers who were laid-off experienced strong wage increases when they were reemployed in new jobs. Before being laid-off, workers had an average income of \$24,543. Within a year of being laid-off,

the average wage of these workers had decreased only slightly to \$24,040.³ Two years after the layoff events, wages had surpassed their pre-layoff levels to reach \$26,287. However, this wage growth was not uniform across industries. Workers laid-off in areas that generally required more specific knowledge, such as the Manufacturing industry, experienced larger decreases in post-layoff incomes. They were also less likely to see their wages increase to pre-layoff levels within 2 years.

Workers from other areas, such as Construction and the Accommodation and Food Service industries, enjoyed higher post-layoff incomes after the first year (Figure 4). In this case, industries subject to seasonal layoffs appear to carry forward the experience when setting pay rates for employees. Hence, the business may base pay rates on the number of seasons an employee has worked rather than the number of hours. These seasonal workers accumulate regular increases in their pay rates and avoid one of the main impacts suffered by workers laid-off during non-seasonal events: the loss of seniority in setting pay rates.

By examining the outcomes of workers laid-off in the past, it is possible to estimate the outcomes of more recently laid-off workers. Comprising 56% of the initial claims made in 2007 and 2008, workers laid-off in the Construction and Accommodation and Food Service

Figure 3: Average Wages in Montana By Industry For April 2003 - December 2005

	Statewide Average Wages (2003)	Laid-off Worker Wages	Layoff Earnings as a Percentage of Statewide Earnings	Unemployment Insurance Claims
Statewide Total	\$26,927	\$24,543	91%	5,045
Goods Producing	\$35,154	\$31,378	89%	2,927
Service Providing	\$23,588	\$14,919	63%	1,935
Construction	\$31,722	\$31,350	99%	1,967
Accommodation and Food Service	\$10,660	\$12,925	121%	841

¹Individuals were considered employed if they received any UI tracked wages in the four quarters after being laid-off.

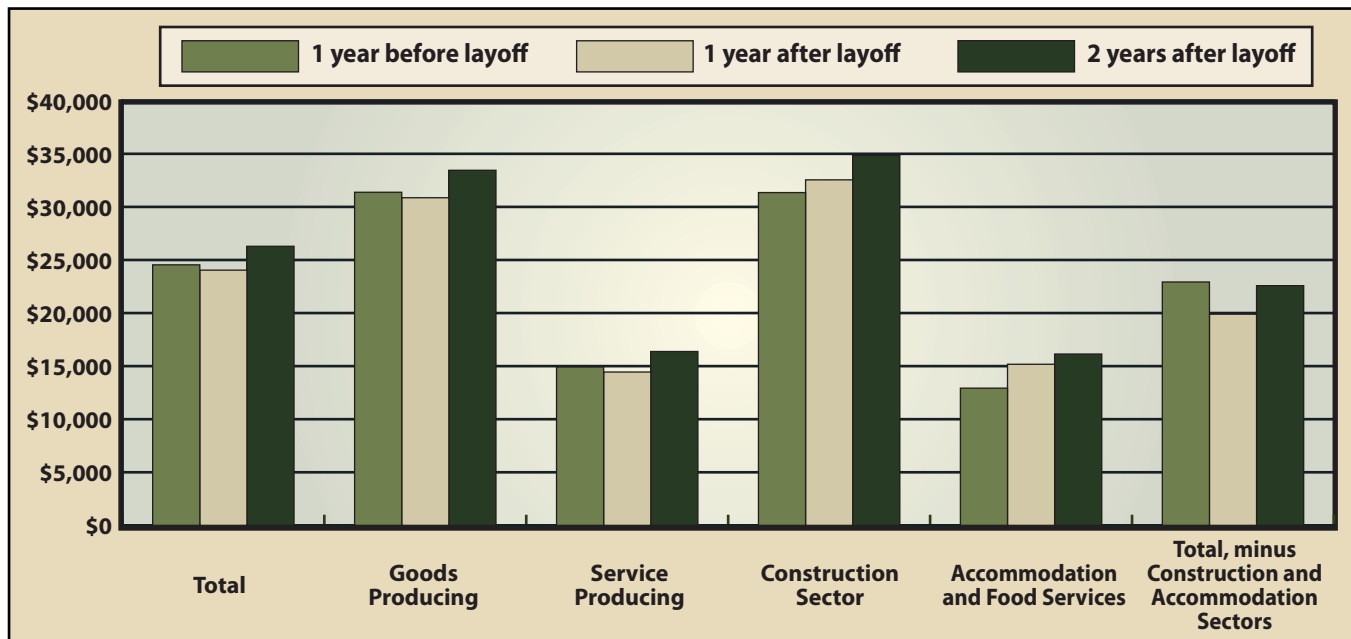
²2003 Quarterly Census of Employment and Wages

³Wages in this article are not adjusted for inflation.



industries are likely to see post-layoff incomes similar to their original wages. However, some of the layoffs in Construction may actually represent a combination of the seasonal and non-seasonal layoffs: seasonal layoffs without a call back of the laid-off workers. A slowdown in the Construction industry could prevent recently laid-off workers in this industry from enjoying the same wage growth pattern that previous workers experienced and may necessitate seeking jobs in other industries. It took over two years for workers in some of the other industries, such as Manufacturing, to see their incomes rise to pre-layoff levels. If this trend continues, it may take until 2010, or 2011, for many of the remaining workers laid-off in 2007 and 2008 to reach their pre-layoff incomes (Figure 4).

Figure 4: Wages of Laid-off Workers



Conclusion

Montana cannot escape the impacts of the national recession as businesses change to meet the challenges of a changing economy. Fortunately, many laid-off workers will be able to find new jobs in Montana and earn incomes comparable to their pre-layoff incomes. If trends continue, over half of the workers laid-off within the past two years should see post-layoff incomes similar to, or above, their original incomes within a year of losing their job. The remaining individuals are likely to see their incomes rise to pre-layoff levels some time in 2010 or 2011. Further, the large number of layoffs caused by seasonal changes in employment suggests that many of the job losses will be temporary. However, the recent increase in non-seasonal layoffs continues to remain a concern, and is another indication that Montana is not immune to economic downturns.

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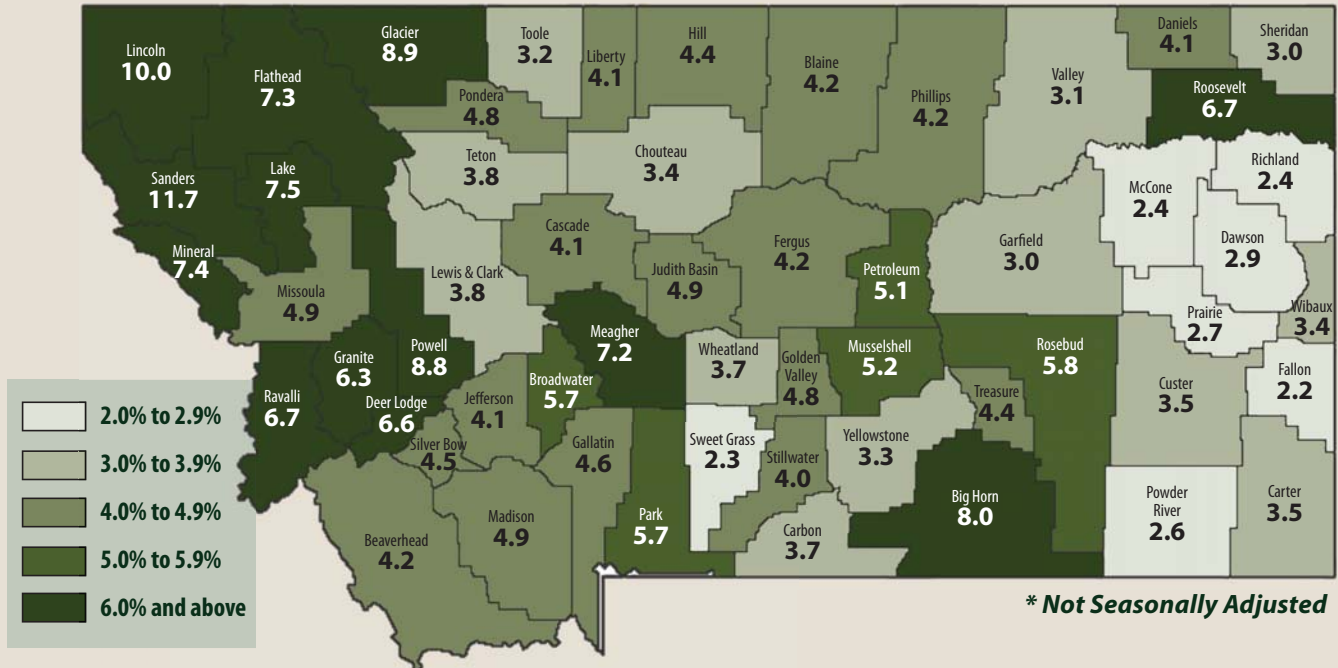
We've redesigned to provide easier navigation and a distinctive new look. Come check it out and be sure to take our online survey to let us know what you think.

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The screenshot shows the Montana Department of Labor & Industry website. The header includes the Montana state logo and the text "Research & Analysis Bureau" and "MONTANA DEPARTMENT OF LABOR & INDUSTRY". A navigation bar lists "Home", "My Future", "Career Resource Network", "Labor Market Info", and "Download Data Tables". The main content area features a search bar, a sidebar with links to various resources, and a featured article titled "MONTANA'S WORKFORCE INFORMATION CENTER" with the subheading "This Month's Featured Article". The article is "Most Profitable Skills" by Barbara Wagner, Economist, with a quote: "What Skills are most Profitable for the Montana Economy?" and a brief description. Below the article are three sections: "Labor Market Info", "Career Resources", and "Publications", each with a representative image.

County Unemployment Rates* - November 2008

Montana Average Rate: 4.9%



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